

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
Olympia, Washington**

To:	CPE Hospitals Managed Care Plans	Memorandum No: 05-68 MAA Issued: June 30, 2005
From:	Douglas Porter, Assistant Secretary Medical Assistance Administration	For More Information, call: 1-800-562-6188
Subject:	“Full Cost” Public Hospital Certified Public Expenditures (CPE) Payment Program: Update to Hospital Reimbursement Methods	

Effective July 1, 2005 , MAA will pay the hospitals listed in this memorandum using the Certified Public Expenditures (CPE) methodology.

Which hospitals are affected?

Effective July 1, 2005, the Medical Assistance Administration (MAA) will reimburse the following public hospitals through the “full cost” Certified Public Expenditures (CPE) Program. State psychiatric hospitals, Western State Hospital and Eastern State Hospital, and bordering city hospitals are **not** eligible to be reimbursed through the CPE program.

- Cascade Valley Hospital (Snohomish County Public Hospital District #3)
- Evergreen Hospital Medical Center (King County Public Hospital District #2)
- Harborview Medical Center
- Island Hospital (Skagit County Hospital District #2)
- Kennewick General Hospital (Kennewick Public Hospital District)
- Olympic Medical Center (Clallam County Public Hospital District #2)
- Samaritan Healthcare (Grant County Public Hospital District #1)
- Skagit Valley Hospital (Skagit County Public Hospital District #1)
- Snoqualmie Valley Hospital (King County Public Hospital District #4)
- Stevens Healthcare (Snohomish County Public Hospital District #2)
- University of Washington Medical Center
- Valley General Hospital (Snohomish County Public Hospital District #1)
- Valley Medical Center (King County Public Hospital District #1)
- Whidbey General Hospital (Whidbey Island Public Hospital District)

How does MAA determine “full cost”?

MAA’s CPE Payment Program will pay eligible public hospitals the same amount as the Medicaid federal match portion of the “full cost” of covered medically necessary inpatient services and uncompensated care. MAA uses the ratio of costs-to-charges (RCC) methodology described in WAC 388-550-4500 to determine “full cost.”

How is the payment for each hospital determined?

Payments under the CPE Payment Program are paid at an estimate of the cost to provide services. The estimate of costs for inpatient claims is determined by the RCC methodology using a base year, usually two years before the service year. For each payment to a hospital in the program, only the federal matching portion of the payment is made; the state portion is funded through CPE.

Disproportionate Share Hospital (DSH) payments to a hospital for uncompensated care are made at the hospital’s DSH cap, calculated according to federal requirements. Hospitals are paid only the federal matching portion of the payments.

For Harborview Medical Center (HMC), the upper payment limit (UPL) is calculated at the full amount the hospital must receive to meet the state’s “hold harmless” provision. Federal matching funds are paid with state general funds, for the full payment amount.

State grant payments may be made to hospitals to ensure that the “hold harmless” provision is met.

What is the “hold harmless” provision?

The CPE Payment Program has a state mandate for a “hold harmless” provision. Each hospital must be paid at least as much money as it would have received from state funds as it would have received under the methodology in place in state fiscal year 2005. The amount of money equal to “what hospital would have been paid” is referred to as the “baseline.”

Why is a prospective cost settlement process necessary?

Prospective cost settlement ensures a full cost basis and avoids recoupment of federal money years after a payment is made.

The state’s “hold harmless” provision is ensured through a final calculation of the hospital’s baseline, completed at the same time as the prospective cost settlement. Any change in federal funding is offset by an opposite change in the hospital’s state grant or UPL payment, to ensure that the hospital receives the full baseline payment for the service year.

Effective July 1, 2005, inpatient hospital admissions that exceed the Professional Activities Study (PAS) Length of Stay (LOS) are incorporated into the annual retrospective review.

Effective July 1, 2005, in conjunction with the implementation of the CPE Payment Program, MAA will no longer perform utilization reviews of inpatient hospital admissions that exceed the PAS average length of stay (LOS) prior to claim payment. Reviews of admissions that exceed PAS LOS will be incorporated into the annual retrospective review conducted by MAA's Hospital Utilization Review Unit of the Office of Payment Review and Audit.

How can I get more information on Washington's CPE Program?

For more information, please refer to the "CPE Operating Manual" for the Washington State CPE Payment Program. It is available on MAA's website on the Hospital Reimbursement Information page at the following address:

<http://fortress.wa.gov/dshs/maa/hrates/Main%20Menu/index.html>

How can I get MAA's provider issuances?

To obtain MAA's provider numbered memoranda and billing instructions, go to MAA's website at <http://maa.dshs.wa.gov> (click on the Billing Instructions/Numbered Memoranda or Provider Publications/Fee Schedules link).

To request a free paper copy from the Department of Printing:

1. **Go to:** <http://www.prt.wa.gov/> (orders filled daily).
 - a) Click **General Store**.
 - b) If a **Security Alert** screen is displayed, click **OK**.
 - i. Select either **I'm New** or **Been Here**.
 - ii. If new, fill out the registration and click **Register**.
 - iii. If returning, type your email and password and then click **Login**.
 - c) At the **Store Lobby** screen, click **Shop by Agency**. Select **Department of Social and Health Services** and then select **Medical Assistance**.
 - d) Select **Billing Instructions, Forms, Healthy Options, Numbered Memo, Publications, or Issuance Correction**. You will then need to select a year and the select the item by number and title.
2. **Fax/Call:** Dept. of Printing/Attn: Fulfillment at FAX (360) 586-6361/ telephone (360) 586-6360. (Orders may take up to 2 weeks to fill.)